



Billing Code: 5001-06

DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 18-27]

Arms Sales Notification

AGENCY: Defense Security Cooperation Agency, Department of Defense.

ACTION: Arms sales notice.

SUMMARY: The Department of Defense is publishing the unclassified text of an arms sales notification.

FOR FURTHER INFORMATION CONTACT: DSCA at dsca.ncr.lmo.mbx.info@mail.mil or (703) 697-9709.

SUPPLEMENTARY INFORMATION: This 36(b)(1) arms sales notification is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996. The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 18-27 with attached Policy Justification and Sensitivity of Technology.

Dated: September 17, 2018.

Shelly E. Finke,

Alternate OSD Federal Register Liaison Officer,

Department of Defense.



DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

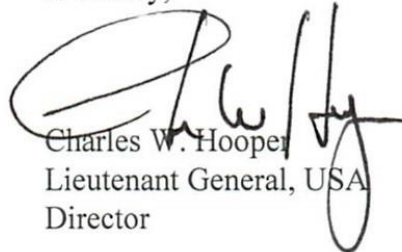
The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

JUL 3 1 2018

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 18-27, concerning the Navy's proposed Letter(s) of Offer and Acceptance to the Government of the Netherlands for defense articles and services estimated to cost \$169 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

A handwritten signature in black ink, appearing to read "C. W. Hooper", is written over the typed name and title.

Charles W. Hooper
Lieutenant General, USA
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology

Transmittal No. 18-27

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

(i) Prospective Purchaser: The Government of the Netherlands

(ii) Total Estimated Value:

Major Defense Equipment*	\$122 million
Other	<u>\$ 47 million</u>
TOTAL	\$169 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

One hundred six (106) MK 54 Lightweight Torpedo Conversion Kits

Non-MDE:

Also included are torpedo containers, Recoverable Exercise Torpedoes (REXTORP) with containers; Fleet Exercise Section (FES) and fuel tanks; air launch accessories for rotary wing aircraft; torpedo launcher interface cabinets; ground handling equipment; torpedo spare parts; training; publications; support and test equipment; U.S. Government and contractor engineering, technical, and logistics support services; and other related elements of logistics and program support.

(iv) Military Department: Navy (NE-P-LHP)

(v) Prior Related Cases, if any: None

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: None

(viii) Date Report Delivered to Congress: July 31, 2018

*As defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

The Netherlands – MK 54 Lightweight Torpedoes

The Netherlands requests to buy one hundred six (106) MK 54 conversion kits. Also included are torpedo containers, Recoverable Exercise Torpedoes (REXTORP) with containers; Fleet Exercise Section (FES) and fuel tanks; air launch accessories for rotary wing aircraft; torpedo launcher interface cabinets; ground handling equipment; torpedo spare parts; training; publications; support and test equipment; U.S. Government and contractor engineering, technical, and logistics support services; and other related elements of logistics and program support. The estimated program value is \$169 million.

This proposed sale will support the foreign policy and national security objectives of the United States by improving the security of a NATO Ally, which is an important force for political stability and economic progress in Europe.

The Royal Netherlands Navy intends to upgrade its current MK 46 torpedoes to the MK 54 with the purchase of these kits. The Netherlands will have no difficulty absorbing the MK 54 torpedoes.

The proposed sale of this equipment and support will not alter the basic military balance in the region.

The principal contractor will be Raytheon Integrated Defense System, Portsmouth, Rhode Island. There are no known offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government or contractor representatives to Netherlands; however, U.S. Government Engineering and Technical Services may be required on an interim basis for installations and integration.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 18-27

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act

Annex
Item No. vii

(vii) Sensitivity of Technology:

1. The MK 54 Torpedo is a conventional torpedo that can be launched from surface ships, helicopters, and fixed wing aircraft. The MK 54 is an upgrade to the MK 46 Torpedo, which is currently in-service in Netherlands. The upgrade to the MK 54 entails replacement of the torpedo's sonar and guidance and control systems with modern technology. The new guidance and control system uses a mixture of commercial-off-the-shelf and custom-built electronics. The warhead, fuel tank and propulsion system from the MK 46 torpedo are re-used in the MK 54 configuration with minor modifications. There is no sensitive technology in the MK 54 or its support and test equipment. The assembled MK 54 torpedo and several of its individual components are classified CONFIDENTIAL. The MK 54 operational software is classified as SECRET. Netherlands will not be provided with the source code for the MK 54 operational software.

2. If a technologically advanced adversary were to obtain knowledge of the hardware and software elements, the information could be used to develop countermeasures or equivalent systems which might reduce system effectiveness or be used in the development of a system with similar or advanced capabilities.

3. A determination has been made that the Government of the Netherlands can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

4. All defense articles and services listed in this transmittal have been authorized for release and export to the Netherlands.

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